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Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15
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TO SECSTATE WASHDC 8361
INFO AMEMBASSY ALGIERS
AMEMBASSY BONN
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AMEMBASSY PARIS
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C O N F I D E N T I A L VALLETTA 02366

E.O. 11652: GDS
TAGS: PEPR, EAIR, ENRG, MT, LY
SUBJECT: SURGE IN MALTA/LIBYA ECONOMIC COOPERATION

REFS: A) VALLETTA A-31, B) TRIPOLI 0993 (DTG 181430Z
- JUL 78 NOTAL), C) VALLETTA MEMCON, MIZZI/WILSON,
- 06/21/78 (NOTAL), D) VALLETTA 2061 (071026Z
- JUL 78)

1. ACCORDING TO RELIABLE LOCAL SOURCES, LIBYA HAS AGREED TO CONTINUE THE SUPPLY OF PETROLEUM PRODUCTS TO MALTA AT CONCESSIONAL PRICES FOR A "SHORT" PERIOD, I.E., LESS THAN A YEAR. PRICES CHARGED TO THE GOM WERE REPORTEDLY RAISED SLIGHTLY BUT REMAIN CONSIDERABLY BELOW MARKET PRICES. AS USUAL THE GOM HAS SAID LITTLE ABOUT THIS AGREEMENT PUBLICLY.

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2. AIR MALTA AND LIBYAN ARAB AIRLINES HAVE ESTABLISHED AIR SERVICE COMPANY TO BE KNOWN AS AIR MEDITERRANEAN COMPANY LTD. (REF C). AIR MALTA AND THE LIBYAN ARAB MALTESE HOLDING COMPANY HAVE 25 PCT OWNERSHIP OF THE NEW VENTURE AND LIBYAN ARAB AIRLINES HAS THE REMAINING 50 PCT, GIVING LIBYAN INTERESTS A MAJORITY SHAREHOLDING. THE NEW COMPANY WILL HAVE THREE PURPOSES:

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- A) ESTABLISH LIGHT AIRCRAFT MAINTENANCE BASE IN MALTA,

- B) PURCHASE, LEASE, OR OTHERWISE ACQUIRE LIGHT AIRCRAFT, INCLUDING HELICOPTERS,

- C) DEVELOP TRAINING CAPACITY IN AVIATION AND RELATED ACTIVITIES.

WHILE THE COMPANY'S AUTHORIZED CAPITAL IS FOUR MILLION MALTA POUNDS (DOLS TEN MILLION), INITIAL PAID IN CAPITAL IS LESS THAN TEN PCT OF THIS AMOUNT. FURTHER DETAILS FOLLOW BY AIRGRAM.

3. A JOINT FISHERIES PROJECT (REF B) KNOWN LOCALLY AS STAD U STAGHNA (FISH AND GET RICH) INVOLVES LIBYAN AND KUWAITI FINANCING OF THE CONSTRUCTION AND OPERATION OF SIXTEEN FISHING TRAWLERS. LIBYA WILL REPORTEDLY MATCH THE LM 1.75 MILLION (DOLS 4.5 MILLION) SOFT LOAN TO MALTA PREVIOUSLY PROVIDED BY KUWAIT. A JOINT LIBYAN/MALTESE COMPANY HAS BEEN FORMED TO IMPLEMENT THIS PROJECT. FISHING WILL BE CARRIED OUT IN BOTH MALTESE AND LIBYAN TERRITORIAL WATERS.

4. DURING QADHAFI'S JULY VISIT TO MALTA, GOM DEVELOPMENT
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MINISTER ABELA AND LIBYAN AGRICULTURAL MINISTER TABU SIGNED AGREEMENT ESTABLISHING JOINT COMPANY FOR REPAIR AND MAINTENANCE OF TRACTORS AND OTHER MECHANICAL EQUIPMENT. KNOWN IN MALTA AS BAHHAR U SEWWI, THIS JOINT COMPANY (INITIAL PAID IN CAPITAL LM 300,000 - DOLS 0.75 MILLION) IS LOCATED IN MALTA BUT WILL ALSO SEND TEAMS OF MECHANICS TO DO REPAIR WORK IN LIBYA AND OTHER "FRIENDLY ARAB COUNTRIES". THE COMPANY WILL INITIALLY EMPLOY FIFTY MALTESE BUT COULD EXPAND SIGNIFICANTLY.

5. THE GOVERNMENT-CONTROLLED PRESS HAS BEEN QUICK TO ASSERT THAT FISHERIES AND AVIATION AGREEMENTS DEMONSTRATED "LIBYA'S UNRESERVED READINESS TO COME TO MALTA'S ASSISTANCE, WHICH CONTRASTS SHARPLY WITH THE BLATANT HYPOCRISY OF EUROPEAN COUNTRIES WHICH RESORT TO FRUSTRATING INTRANSIGENCE".

6. COMMENT: WHILE ONLY THE AIR SERVICE COMPANY IS A RELATIVELY NEW DEVELOPMENT, IT OBVIOUSLY SERVICES MINTOFF'S PURPOSES TO BE ABLE TO SIGN THESE FORMAL AGREEMENTS DURING THE PAST FEW WEEKS. ASIDE FROM BENEFITING MALTA ECONOMICALLY, MINTOFF CAN POINT TO THEM AS CONCRETE

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EXAMPLES OF LIBYA'S GOOD WILL AND SUPPORT FOR HIS
POLICIES WHICH STANDS IN SHARP CONTRAST TO EUROPE'S ALLEGED
INDIFFERENCE TO MALTA'S ECONOMIC ASPIRATIONS. HE MAY NOT
CHANGE THE MINDS OF MANY OF THOSE WHO OPPOSE HIM BUT THESE
AGREEMENTS SHOULD REINFORCE HIS POSITION AMONG HIS
SUPPORTERS. LAINGEN

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